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# INFORMATION

for

## Farmers' Home Administration COUNTY COMMITTEEMEN



2 U. S. DEPARTMENT OF AGRICULTURE  
U.S. Farmers' Home Administration  
JUNE 1955  
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## Foreword by the Administrator

### *To Members of County Committees:*

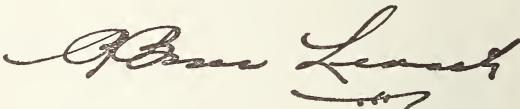
You are an important part of the Farmers Home Administration, an agency in the United States Department of Agriculture set up to assist farmers to help themselves. How effectively this agency does its work in your county depends to a great extent upon you.

The Farmers Home Administration extends credit and supervisory assistance to eligible farm families to help them operate, buy or improve their farms. Loans are made only to applicants who are unable to obtain credit to meet their needs from other lenders on reasonable terms and conditions. We reach our objective when we enable a farm family to become soundly established in a well-balanced system of farming which can be successfully carried on without further financial aid from the Farmers Home Administration.

Before a loan is made, we must determine that the farmer is eligible and be reasonably certain he will use the credit for authorized purposes. While the loan is outstanding, we must see that it is properly serviced and repaid in accordance with agreements reached. As soon as practicable, the borrower must refinance his debt with commercial or cooperative credit. Your counsel will be consistently sought to help bring these objectives about. The county supervisor will work closely with you.

Your neighbors and friends will naturally look to you for a great deal of information about the Farmers Home Administration and the job it is doing locally. In your position as a committeeman you can help materially from the standpoint of good public understanding of the agency's work in your neighborhood.

This foreword is my greeting to you and my opportunity to thank each of you for your part in helping establish a stronger agriculture in your community.

A handwritten signature in black ink, appearing to read "R. B. McLeaish".

R. B. MCLEAISH, *Administrator.*

# INFORMATION FOR COUNTY COMMITTEEMEN

The Farmers Home Administration serves farmers and ranchers who are unable to obtain needed financial assistance through regular credit channels. The various types of loans which have been authorized by the Congress enable farmers to become soundly established on family-type farms in well-balanced systems of farming and to meet certain emergency needs resulting from adverse conditions such as drought, flood, or economic reverses. The agency's purpose is to help farmers reach the point where they can go ahead with good farming using credit furnished by private or cooperative lenders.



## County Committees

The Farmers Home Administration Act provides for the establishment of a county committee in each county in which the Farmers Home Administration program is conducted. The county committee advises with the county supervisor and, in addition, has definite responsibility for:

1. Determining the eligibility of applicants for all types of loans made by the Farmers Home Administration, except special livestock loans.
2. Determining the suitability and fair and reasonable value of farms being considered for purchase, enlargement, or development under the farm ownership program.
3. Determining the normal market value of farms being taken as security for individual soil and water conservation loans.
4. Making recommendations regarding applications for the compromise, adjustment, or cancellation of debts owing to the Farmers Home Administration.

Other duties in connection with the Farmers Home Administration program are outlined under Program Activities. Special tasks may be assigned to the committee from time to time. You may be called upon to furnish information in connection with routine inquiries and to discuss various phases of program activities with representatives of the State and national office, including examiners of the examination division representing the Administrator of the Farmers Home Administration.

*Organization.* Each county committee is composed of three persons living in the county served by the committee. At least two of the members must be farmers who live on farms and derive the principal part of their income from farming. Members of the county committee are public-spirited citizens who are interested in improving the welfare of farm families in their communities, particularly those who are eligible for and in need of assistance through the Farmers Home Administration.

*Meetings.* Meetings of the county committee are called by the county supervisor, who serves as executive secretary of the county committee. Complete minutes are kept of all meetings.

*Employment.* County committee members, in general, are subject to the rules and regulations pertaining to Federal employees. Each com-

mitteeman is appointed to serve a term of 3 years, except when appointed to complete the unexpired term of a former committeeman. One member's appointment expires each year. The term appointment for each member is shown on his appointment notice. On county committees where only two members are farmers, if either or both discontinue active farming, or cease to reside upon a farm within the county, that member becomes ineligible to serve as a committeeman and should resign.

*Business Dealings.* No business transactions will be engaged in between committeemen and borrowers of the Farmers Home Administration if the circumstances are such that the committeeman receives any advantage over others because of his being a committeeman, or if the borrower becomes obligated to the committeeman in an inappropriate manner. Transactions between committeemen and borrowers which, because of their character or frequency, might be brought into question should be discussed by the committeeman with the county supervisor and his approval secured before proceeding.

A committeeman should not participate in any county committee action which involves the approval or recommendation of a transaction in which he, close relatives, or business associates will receive Government funds or property. Committeemen are not eligible to receive any loan made or insured by the Farmers Home Administration while actively serving on the committee. Except upon prior approval of the Administrator, former committeemen are not eligible for Farmers Home Administration loans until one year has elapsed after their term has expired.

*Holding State and Local Office.* Committeemen, like any other em-

ployees of the U. S. Department of Agriculture, are subject to the prohibitions contained in several Executive orders and the policy of the Department of Agriculture with respect to the holding of public office. When a committeeman, after appointment, accepts any Federal, territorial, State, county, or local office, this should be reported to the county supervisor. The county supervisor will request a determination from the State director as to whether the acceptance of the office disqualifies the committeeman for further service as a committee member.

*Political Activity.* Committeemen may not use the influence derived from membership in the county committee to gain political advantage. Committeemen are subject to the Hatch Act limitations with respect to political activity for the 24-hour period of any day on which they perform service as a member of the committee.

Further, no person holding any office of a political party such as precinct committeeman or ward committeeman, or who is active in the management or affairs of any political club, political organization, or committee is eligible for appointment as a committeeman. Questions concerning other provisions of the Hatch Act should be discussed with the county supervisor.

*Injury Compensation.* Committeemen injured in the performance of official duty are eligible for benefits of the Employees' Compensation Act. Any injury occurring while on duty should be reported immediately to the county supervisor.

*Accidents.* Committeemen involved in automobile accidents while performing official duty should report the details to the county supervisor immediately.

## Supervisory Assistance

In addition to credit, the Farmers Home Administration provides borrowers with certain types of loans such supervisory assistance as is needed to overcome their management problems. This technical help is closely related to the required servicing and collection of loans. County supervisors are trained agriculturists who are in a position to counsel wisely with farm families. They have the added advantage of local guidance and advice furnished by county committeemen. Supervisory assistance is designed to help borrowers in the following ways:

1. Help them become established under equitable tenure arrangements on suitable farms—farms large enough and productive enough so that they can make a satisfactory living.
2. Help them work out sound long-time and annual farm and home plans for the farms they will operate. Farm and home planning consists of analyzing the present operations, determining the organization of the farm business to be carried on, including the adjustments, improvements and practices to be followed for successful farm and home operations, and budgeting income and expenses. A farm and home plan serves as a guide to the family in carrying out its farm and home operations and to the county supervisors in giving needed follow-up supervisory assistance.
3. Furnish technical advice and guidance to borrowers in carrying out planned operations. This includes the adoption of improved farm and home management practices such as soil conservation measures, use of adapted seed, proper fertilization, control of insects and

diseases, and the production and conservation of food for the family.



## Handling Applications

Applications for Farmers Home Administration assistance generally are filed in the county office serving the area in which the farm to be operated is located. All applicants are encouraged to file written applications. Supervisory personnel discuss with each applicant the type of assistance that appears best suited to his particular needs. In obtaining information concerning applicants and evaluating their qualifications, Farmers Home Administration personnel are governed by established policies for the various types of assistance available. Applications are investigated and usually are submitted to the county committee for consideration in the order received, except that when it appears funds will be inadequate to meet the needs of all applicants, applications received from veterans will be processed first. The county supervisor will verify the information furnished by the applicant and assemble additional information needed to evaluate properly the applicant's qualifications and credit needs.

The county supervisor will analyze the applicant's loan request, giving careful consideration to his experience, abilities, resources, and credit needs, and will tentatively determine which loan authorities will most effectively meet the applicant's needs. After such tentative determination, the county supervisor will present the application to the committee for con-

sideration. The committee will interview applicants whenever it is considered necessary in determining the applicant's qualifications.

The county supervisor will take the following action immediately after the committee's decision regarding the applicant's qualifications: (1) If the committee's action is favorable, the county supervisor will proceed in accordance with the applicable loan processing instructions; (2) If the committee's action is unfavorable, the county supervisor will notify the applicant in writing of the committee's decision.

Committee minutes will show the action taken on each application and the reasons for the rejection of any application. Those applications received when funds are not available for processing loans will be investigated and presented to the committee for consideration. Applicants who are ineligible will be so advised by the county supervisor. Those for whom committee action is favorable will be notified that funds are presently exhausted but that their applications will be held for consideration when funds are available.

### **Collection Policy**

Borrowers are required to pay their debts to the Farmers Home Administration in accordance with their agreements and their ability to pay. They are encouraged to pay ahead of schedule consistent with sound farming and sound money management.

When borrowers have acted in good faith and have exercised due diligence in an effort to pay their indebtedness but cannot pay on schedule because of circumstances beyond their control, future servicing actions will be consistent with the best interests of the borrower and the Government.

### **Debt Settlement**

Some borrowers who received loans in years past are not now, and will not within a reasonable period be able to repay their indebtedness in full because of various circumstances. In recognition of this situation, Congress has authorized the settlement of a borrower's indebtedness arising out of certain types of loans for less than payment in full based upon a reasonable determination of the borrower's debt-paying ability and the value of any security, and when certain other specified conditions are met. Unwillingness to pay is not a justification for settling a debt. Debt settlements authorized are:

1. Compromise, which means the complete satisfaction of debts by accepting a lump-sum payment which is less than the total debt.
2. Adjustment, which means reducing the amount of the debt conditioned upon completion of payment of the adjusted amount at some specified future time or times. An adjustment is not a final settlement until all payments under the adjustment agreement have been made.
3. Cancellation, which means the final discharge of the debt without any further payment being made thereon.
4. Charge-off, which means the writing off of a debt, without release of liability.

Certain types of debts may be canceled or charged off by the Government without obtaining an application from the debtor. Settlement of other debts must be based upon a written application received from the borrower. County committees will review applications of borrowers for the compromise, adjustment, or cancellation of debts and will make recommendations for

the acceptance or rejection of such applications. A debt settlement offer will not be approved on terms more favorable to the borrower than those recommended by the county committee.

## **Reviewing Borrower Progress**

The advice and recommendation of the county committee will be requested from time to time concerning individual borrowers. When borrowers progress to the point that they can obtain needed credit from other sources at reasonable rates and terms, they are not eligible for further assistance from the Farmers Home Administration. The county committee will be asked to advise with the county supervisor

in determining those borrowers to be referred to other credit sources. Likewise, there will be borrowers in each county who do not make satisfactory progress. The county committee will be asked to review and analyze these cases and counsel with the county supervisor concerning the actions to be taken with these borrowers.

The county committee will also be asked to make recommendations in certain cases in connection with transfer of farms, voluntary conveyance of farms to the Government, and foreclosures. The county committee will be requested from time to time to advise with the county supervisor with respect to security and loan servicing problems in order to protect the interest of the Government.

## **PROGRAM ACTIVITIES AND COMMITTEE DUTIES**

The Farmers Home Administration offers various types of credit to farmers and ranchers. The county supervisor and others working with him will supply county committee members with complete instructions and forms needed to do their work in connection with each type of loan. These instructions will cover such points as eligibility, loan purposes, terms, limitations, security required, and loan approval.

### **Production and Subsistence Loans**

Production and subsistence loans are made primarily to enable farmers and stockmen to become established successfully in a sound, well-balanced system of farming in order to make full and efficient use of their land and labor resources. They may be made for the purchase of equipment, feed, seed, fertilizer, livestock, for other farm needs, and for family subsistence. The maxi-



mum initial loan is \$7,000, and the total outstanding operating loan indebtedness for any one borrower cannot exceed \$10,000. Loans are to be repaid in one to seven years.

### **County Committee Duties**

A production and subsistence loan may not be made to an applicant unless the county committee certifies in writing:

1. That the applicant is eligible to receive the loan;
2. That credit in an amount sufficient to finance the actual needs of the applicant is not available to him at the rates

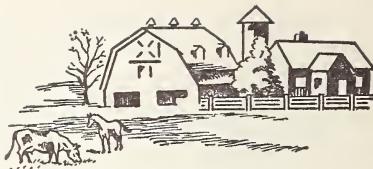
(but not exceeding the rate of 5 percent per annum) and terms prevailing in or near the community in which the applicant resides for loans of similar size and character from commercial banks, cooperative lending agencies, or from any other responsible source; and

3. That, in the opinion of the committee, the applicant will honestly endeavor to carry out the undertakings and obligations required of him.

In order for the county committee to make these determinations, each application must be reviewed carefully. A loan will not be made to any applicant who is not certified by the county committee as being eligible and qualified to receive such assistance. However, for various reasons it may not be possible or advisable to make a loan to every applicant who is certified as being eligible and qualified. The county supervisor, the State director, or other administrative officials of the Farmers Home Administration will determine which of the applicants certified as being eligible and qualified will receive loans and also the amounts of individual loans. The county committee has no responsibility for determining the amounts of loans or the purposes for which loans are made, but the committee will establish the maximum amount of credit which may be extended to meet the actual needs of the applicant during the crop year.

## Farm Ownership Loans

Farm ownership loans are made for the purpose of buying, enlarging, and improving family-type farms. Loans are made primarily from private capital fully guaranteed by the Government. Some loans are made from funds appropriated annually by Congress. Loans are amortized for periods up to 40 years and can be paid in less



time through larger payments in good years. Insured loans are limited to 90 percent of the fair and reasonable value of the farm, since a 10 percent equity is required.

## County Committee Duties

A farm ownership loan may not be made to an applicant unless the county committee certifies in writing that:

1. The applicant is eligible to receive the benefits of a farm ownership loan;
2. The applicant, by reason of his character, ability, industry, and experience, will honestly endeavor to successfully carry out undertakings and obligations required of him under a direct or insured farm ownership loan;
3. Credit sufficient in amount to finance the actual needs of the applicant is not available to him at the rates (but not exceeding the rate of 5 percent per annum) and terms prevailing in the community;
4. There is a reasonable likelihood that the making or insuring of the loan with respect thereto will carry out the purposes of the farm ownership program.

In addition, the county committee is responsible for determining the fair and reasonable value of the farm based upon its normal earning capacity, recommending the amount of the loan, and determining that the value of the farm will not exceed the average value of efficient family-type farms in the county. The county committee's certification as to the fair and reasonable value

of the farm should represent its actual bona fide determination with respect to the particular farm under consideration after personally inspecting the farm and reviewing the appraisal report. The committee should not be influenced by the amount of the proposed loan or the county average value in making its determination of the fair and reasonable value of the farm. Usually the inspection of the farm will be accomplished by the committee as a group in order to obtain the benefit of group discussion.

A fair and reasonable value higher than the recommended normal earning capacity value may be justified when the following conditions exist:

1. The farm or tract is particularly desirable because of its present high state of development or productivity, or land development substantially greater than that contemplated by the appraiser in the earning capacity report is provided for in the farm development plan.
2. The long-time farm and home plan shows definite possibilities of net income substantially greater than shown on the earning capacity report. This may result from the system of farming outlined in the plan being more intensive and more profitable than the system outlined in the earning capacity report. It is essential in such instances that the planned operation be sound and that the farming system planned be one that is established and successful in the area.
3. The applicant has outstanding managerial ability and experience which indicates that he will be successful under the system of farming planned.

A fair and reasonable value less

than the recommended normal earning capacity value should be determined when:

1. The planned operation is less intensive or less profitable than the one outlined in the earning capacity report, or
2. Adequate provisions are not made in the farm development plan or farm and home plan for carrying out the land improvements recommended by the appraiser.

When loans are made for building improvements only, commonly called BI loans, the county committee, in determining the fair and reasonable value of the farm, should be governed largely by the farm appraisal report and the facts it discloses regarding the value of the real estate security. Since the fair and reasonable value established by the committee is based on the farm's normal earning capacity, the normal agricultural value recommended by the appraiser is of primary significance to the committee. (Note: The fair and reasonable value is based on normal *agricultural* value rather than normal *market* value.)

If the fair and reasonable value of a farm, as determined by the county committee, exceeds by as much as 5 percent the normal earning capacity value as determined by the appraiser, a specific justification signed by the committee must be attached to Form FHA-491, "County Committee Certification."

In case of a loan to a disabled veteran for a farm management unit less than an efficient family-type farm, the fair and reasonable value will not be in excess of the normal market value of the farm and the amount of the loan recommended will not exceed the debt-paying ability of the applicant, considering both his farm and nonfarm income.



## **Soil and Water Conservation Loans**

Soil and water conservation loans are made for the purpose of facilitating better use and conservation of farm land. Such loans may be made to pay the cash costs for materials, supplies, equipment, and services directly related to the application or establishment of soil conservation practices; water development, conservation and use; forestation, and drainage of farm land. Loans are made primarily from funds advanced by private lenders and insured by the Government. The maximum repayment period is 20 years for individuals, and up to 40 years, under certain conditions, for associations. Individuals may borrow up to \$25,000 although the average loan is usually around \$5,000. Associations can borrow up to \$250,000.

### **County Committee Duties**

A soil and water conservation loan may not be made to an applicant unless the county committee certifies in writing:

1. That the applicant is eligible under applicable Farmers Home Administration instructions;
2. That the applicant, in the opinion of the county committee, will carry out undertakings and obligations required of him under the proposed loan; and

3. That the applicant is without resources of his own to finance the planned improvements and is unable to obtain credit at reasonable rates.

If the applicant's farm will be taken as security for the loan, the county committee will also determine what the normal market value of the farm will be after the contemplated improvements are made.

1. When a technical appraisal has been made, the committee will be governed largely by the facts disclosed on the appraisal report. Committee members will personally inspect the farm if they feel that they need additional information.
2. When a technical appraisal has not been made, one or more members of the committee will visit the farm for the purpose of acquiring pertinent information for consideration by the full committee.

The county committee will also be asked to make recommendations concerning the eligibility of applicants for association loans.

### **Emergency Loans**

Production emergency loans are made in areas designated by the Secretary of Agriculture where (1) serious losses in agricultural production have occurred as a result of drought, floods, storms, or some other natural calamity, and (2) there is a widespread need among the farmers of the area for a temporary source of credit to continue their normal farming operations and such credit cannot be obtained through banks, cooperative lending institutions, or other responsible sources. These loans are expected to be repaid as rapidly as possible. Usually advances for current operating expenses are scheduled for repayment at the end of that crop

year. However, loans for replacement of capital items may be scheduled for longer periods. Loans cannot be made to reimburse farmers, directly or indirectly, for losses caused by the emergency nor are they made to refinance existing indebtedness.

Economic emergency loans are made only in areas designated by the President as major disaster areas, and where the Secretary of Agriculture also determines that economic conditions in the area resulting from the disaster have caused a need for agricultural credit which cannot be met by existing credit sources. These loans are made under the same policies as those governing production emergency loans, except that applicants are not required to establish a production loss. Emergency loans of both types are made from a revolving fund.

### **County Committee Duties**

Neither a production emergency nor an economic emergency loan may be made to an applicant unless the county committee certifies in writing:

1. That the applicant is unable to obtain from banks, cooperative lending agencies, or other responsible sources, the credit required to continue his normal operations;
2. That the applicant will honestly endeavor to carry out the undertakings and obligations required of him under the loan; and
3. That in the case of a production emergency loan, the applicant has suffered a substantial production loss as a result of a disaster.

County committee members will be requested to advise with the county supervisor from time to time regarding various loan servicing actions in connection with emergency loans.



### **Special Livestock Loans**

Special livestock loans are made from a revolving fund to established producers and feeders of cattle, sheep, and goats who are temporarily unable to get from commercial banks, cooperative lending agencies, or other responsible sources, the credit needed to continue their normal livestock operations. Borrowers must have a good record of livestock operations and have reasonable prospects for success with the assistance of the loan. Loans are not made to commercial feed lot operators.

Special livestock loans are made to meet the usual expenses necessary to successful livestock operations. Other creditors are not asked to subordinate their liens, but are expected to stand by and to agree that a reasonable part of the applicant's normal income from livestock can be used in repaying the loan. The standby agreement is required to give the borrower a fair chance to work out of his difficulties resulting from the emergency. These loans are repayable in 1 to 3 years. They are not made to pay existing debts, except current incidental bills.

### **Committee Duties**

A State or local special livestock loan committee, appointed by the Secretary of Agriculture, decides whether an applicant is eligible and, if he is, approves the loan. An application for a loan of more than \$50,000, or a loan which would cause the unpaid principal balance on special livestock loans to exceed \$50,000 for any one borrower, must

also be approved by the Secretary of Agriculture. Members of the county committee may be appointed as members of the special livestock loan committee.

The special livestock loan committee's consideration of the applicant's eligibility and the purposes and the amount of the loan are based on information furnished by (1) the applicant, (2) the applicant's creditors and other references, (3) the county supervisor, or a livestock inspector, as a result of his investigation, and (4) members of the committee, on the basis of their personal knowledge of the applicant and his operations. In addition, other information may be obtained when determined necessary by the committee.

### **Fur Loans**

Fur loans may be made only to those borrowers who were indebted

on August 13, 1953, for fur loans previously made by the Farmers Home Administration or the former Regional Agricultural Credit Corporation, and who have remained continuously indebted since that date for fur loans. Fur loans are made from a revolving fund.

### **County Committee Duties**

A fur loan may not be made to an applicant unless the county committee certifies in writing that (1) the borrower is unable to obtain the loan from banks, cooperative lending agencies, or other responsible sources, and (2) the borrower will honestly endeavor to carry out the undertakings and obligations required of him under the loan.

County committee members will be requested to advise with the county supervisor from time to time regarding various loan servicing actions in connection with fur loans.



